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Approved by:

Chad R. Russell

U.S. Embassy, New Delhi

Prepared by:

A. Govindan, Santosh Kr. Singh, V. Shunmugam, Sayed Sarwer Hussain

Report Highlights:

India Inc. urged to participate in WTO tariff line discussions, *WTO consultations*, *India-US economic dialogue*, *Government to set up single window body for GM crops*, *CMIE sees 6% growth*, *Monsoon perks up farm front - But no grain exports*, *Government plans duty cuts to douse rising prices*, *Government policy blamed for high edible oil prices*, *Ban on chicken stocks risks retaliatory moves*, *Fresh ban on import of livestock products*, *Support price of crops hiked*, *Quota-free textile regime to spin 12 million jobs*, *Pizza Hut to foray into non-metros*, *Retailers want suppliers to adopt barcode*, *BANGLADESH: UN to seek \$226 million aid*, *BANGLADESH: Free seeds and fertilizers to farmers*, *BANGLADESH: WFP appeal for \$70 million emergency food aid*.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1]
[IN]

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

INDIA INC. URGED TO PARTICIPATE IN WTO TARIFF LINE DISCUSSIONS

Participating in an interactive session on "India's stand at WTO – Post Cancun issue and unfinished agenda" at Kolkata, Mr. S.N. Menon, Special Secretary for WTO and Trade Policy Issues in the Ministry of Commerce said the powerful G-20 coalition of developing countries has now been able to challenge the might of the US-EU alliance, especially in dealing with the key issue of agricultural subsidies. "Our defensive rights in agriculture for safeguarding our national food security is being taken care of fully through this framework agreement," he said. He clarified that while India's [average] bound tariffs on agricultural commodities are as high as 114 percent, applied tariffs were only around 38 percent for as many as 695 tariff lines. This gives India vast flexibility in prices whenever there is need to raise tariffs. He urged Indian industries to participate in the consultative process and delve deeper into what tariff lines should be scaled down. (Source: Business Line, 08/11/04)

WTO CONSULTATIONS

In an attempt to workout its future strategy for the post-WTO framework negotiations, the Ministry of Commerce will hold consultations with the Planning Commission and the Ministry of Agriculture. Mr. S.N. Menon, Special Secretary in the Ministry of Commerce said his Ministry would work together with various research organizations to see that any move to push counter-cyclical payments by the U.S. Government into the 'blue box' subsidies is thwarted. (Source: Business Standard, 08/12/04)

INDIA-US ECONOMIC DIALOGUE

Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission has been designated as the Co-Chairperson on the Indian side of the India-US Economic Dialogue. He would be working with his US counterpart Mr. Stephen Friedman, the Economic Policy Assistant to the President of the United States. Dr. Ahluwalia would be assisted by Mr. Shyam Saran, Foreign Secretary, who would serve as his Deputy in the India-US Economic Dialogue. Mr. Saran would interact with his US counterpart Mr. Alan Larson, Under Secretary for Economic, Business and Agricultural Affairs in the US Department of State. India-US Economic Dialogue was set up following an understanding between US President and Prime Minister of India in November 2001 and has five components – Finance and Investment; Commercial Dialogue; Trade Policy; Energy; and Environment. (Source: Ministry of External Affairs Press Release, 08/11/04)

GOVERNMENT TO SET UP SINGLE WINDOW BODY FOR GM CROPS

The Minister of State for Science and Technology, Mr. Kapil Sibal said that the central government would put in place a single window regulatory body to consider permission for cultivation of genetically modified crops in India by January 2005. Addressing a conference on Agricultural Biotechnology he said, "we are evolving a simpler regulatory system to rapidly speed up the approval or rejection of technologies in order to bring in additional choices for farmers as soon as possible." Emphasizing the need for biotechnology, he said

India has no choice but to go on the path of biotechnology and gene revolution in the backdrop of growing food grain requirement of the country and the declining arable area. Agricultural Secretary Ms. Radha Singh said substantial benefits have accrued from the use of GM plants, and the gains outweigh the risks, with the latter hypothetical and not quite real in many instances. (Source: Business Line 8/11/04)

CMIE SEES 6% GROWTH

Faced with a slowdown in the agricultural sector, the Center for Monitoring Indian Economy (CMIE), a private think tank, lowered its estimate of economic growth in FY 2004/05 to 6 percent from its earlier forecast of 6.3 percent. The downward revision is attributed to a fall in agricultural growth rate to 0.8 percent from its earlier estimate of 2.7 percent. The erratic progress of the monsoon has adversely affected sowing operations of *kharif* crops. (Business Standard, 08/12/04)

MONSOON PERKS UP FARM FRONT – BUT NO GRAIN EXPORTS

In spite of an erratic monsoon, the country's grain stocks won't be seriously eroded. Agriculture Minister Pawar expressed confidence that the overall situation would be comfortable, with the total grain production likely to touch or exceed last year's level of 212 million tons. He, however, said that till the next monsoon, there should be no export of wheat and rice. "There are sufficient stocks at hand but we do not want to take a risk with exports," he said. (Source: Hindustan Times, 08/11/04)

Post Comment: It is too early to comment on the grain production this year. The 4 to 5 week long dry spell in many parts of the country is likely to have an impact on production. (See IN4085 Monsoon Progress Report No. 4)

GOVERNMENT PLANS DUTY CUTS TO DOUSE RISING PRICES

The government is expected to come up with a slew of fiscal and monetary measures, including duty cuts in agricultural commodities like sugar and edible oils, to rein in prices and enhance supplies. A clear signal on duty cuts was given by Finance Minister Chidambaram after a meeting of the Cabinet Committee on Economic Affairs. He warned commodity producers that they should not push up prices taking undue advantage of rising global prices. In agricultural products such as edible oil, producers have been preemptively raising prices in expectation of inflation. The Finance Ministry has favored a custom duty cut on some products to make the exercise revenue neutral – as a custom duty cut would result in higher volume of imports and offset revenue loss. (Source: Economic Times, 08/11/04)

Post Comment: India's inflation rate, measured by the weekly wholesale price index, peaked at a two-year high of 7.51% for the week ending July 24, 2004. The surge in inflation was attributed to higher prices of fruits and vegetables, food products, and edible oil, besides several industrial products.

GOVERNMENT POLICY BLAMED FOR HIGH EDIBLE OIL PRICES

The current high prices of edible oils are not due to the poor performance of the monsoon, but because of the government's failure to keep track of international market prices to align their tariff values. Higher tariff values to which the tariff is applied mean higher tariffs to be paid by importers, which is passed on to the consumers and contributes to inflation. Soybean oil consumers are currently paying Rs. 1.5/kg extra as the Finance Ministry is using a higher tariff value versus lower actual market prices. (Source: Economic Times, 8/10/04)

BAN ON CHICKEN STOCKS RISKS RETALIATORY MOVES

The government has extended the ban on imports of poultry and poultry products following the occurrence of highly pathogenic avian influenza (HPAI) in South east Asia for another six months, threatening the domestic availability of good quality breeding stock, vaccines, and other health products. The industry has warned the government of a serious impact on the availability of quality chicks and poultry meat production and exports if the ban continues. Over 20 percent of broiler farmers depend on chick supplies from Grand Parent Stock (GPS) operators. The GPS operators have been petitioning the government to permit imports of GP stocks from nations declared HPAI free, as per OIE guidelines. (Source: The Economic Times, 8/4/2004)

FRESH BAN ON IMPORT OF LIVESTOCK PRODUCTS

Following reports of fresh outbreak of bird flu from Thailand, Vietnam, China, and Indonesia, the government has re-imposed the ban on imports of some livestock and livestock products. In a Gazette notification, dated August 6, 2004, the Ministry of Agriculture said that the prohibition shall be in force for a period of six months from the date of publication or till such time it is modified or withdrawn. (Source: Business Line, 8/10/04)

Post Comments: For additional information, please refer IN4086.

SUPPORT PRICE OF CROPS HIKE

In line with its pro-farmer stand, the new government hiked the minimum support prices of major *kharif* (fall and early winter harvested) crops, which include rice, coarse grains, soybeans, peanut, and some pulses. As recommended by the Commission on Agricultural Costs and Prices, the hike in the support price was higher for oilseeds and pulses vis-à-vis rice and coarse grains. The revised support prices are given in the following table:

Crop	MY 2004/05 rs. (\$) per mt	Increase rs. per mt (%)
Paddy Common	5,600 (\$121.1)	100 (1.8)
Paddy Grade A	5,900 (\$127.6)	100 (1.7)
Sorghum, millet	5,150 (\$111.4)	100 (2.0)
Corn	5,250 (\$113.6)	200(4.0)
Mung beans/Urd	14,100 (\$305.0)	400 (2.9)
Pigeon pea	13,900 (\$300.6)	300 (2.2)
Soybeans (yellow)	10,000 (\$216.3)	700 (7.5)
Peanut	15,000 (\$324.4)	1000 (7.1)
Sunflower seed	13,400 (\$289.8)	900 (7.2)
Cotton F-414/H-777	17,600 (\$380.7)	350 (2.0)
Cotton H-4	19,600 (\$423.9)	350 (1.8)

Exchange rate: rs. 46.24 = 1\$

(Source: Economic Times, 08/11/04)

Post Comment: Except for paddy, the minimum support price does not matter for other crops as they are seldom procured by the government under support operations.

QUOTA-FREE TEXTILE REGIME TO SPIN 12 MILLION JOBS

The Indian textile sector is likely to create 12 million jobs, including five million direct jobs, once the quota regime comes to an end this year. The industry is estimating exports in the quota free market to surge to \$40 billion by 2010 from about \$12 billion today. Industry representatives claim that the Finance Minister has identified the textile sector as a priority area keeping in view its employment generation potential and India's inherent advantage over other countries. The Indian Cotton Mills Federation has released a vision document that indicates that India's current strengths are strong multi-fiber base, low-cost manpower, and presence across the entire value chain of the textile and apparel industry. (Source: Tribune, 8/7/04)

PIZZA HUT TO FORAY INTO NON-METROS

Pizza Hut plans to scale up operations in India from 73 restaurants today in 19 cities to 100 in the next few months. Moving beyond the metros, Pizza Hut will foray into 12 to 13 new cities. Pizza Hut has a 48 percent share in the Indian pizza market. (Source: Economic Times, 8/8/04)

RETAILERS WANT SUPPLIERS TO ADOPT BARCODE

Leading retail companies, such as Food World Supermarkets, Giant Wholesale Club, Trinethra Super Retail and Nilgiri's, have mandated all suppliers to use the universal EAN barcodes on products by September. This move will reduce labeling costs. These companies have also announced that they will charge penalties on suppliers not conforming to this requirement. Organized retailing in India is still at a very nascent stage, particularly in terms of adoption of international best practices and standards in their supply chains. Ministry of Commerce and various industries bodies have set up EAN India, an affiliate of EAN International, Brussels, for administering and promoting the use of global supply chain standards in the country. Switching to barcodes will not only save labeling cost, it will also facilitate demand forecasting and consumption based production scheduling and replenishments. (Source: Business Line, 8/12/04)

BANGLADESH: UN TO SEEK \$226 MILLION AID

The United Nations has pledged an appeal for \$226 million as 'initial assistance' to overcome the devastation of the flood. The UN is set to seek the amount from the international community through multilateral and bilateral lenders. The current proposal is for the initial phase of post-flood rehabilitation program with six months' time for implementation. The UN mission in Dhaka has identified nine sectors for assistance: food, agriculture, health, water and sanitation, family flood shelter and non-food items, education, flood protection, infrastructure and management. UN offices in Geneva and New York will formally place the appeal to the international community after reviewing as well as approving the draft proposal. (Source: The New Age, 08/11/04)

BANGLADESH: FREE SEEDS AND FERTILIZERS TO FARMERS

The government will distribute fertilizers and seeds/seedlings to 2.5 million flood-affected small and marginal farmers free of cost from August 15 at a cost of \$ 21.7 million. The ministry would arrange import of seeds, if necessary. Some 2,200 acres of land had been brought under seedbed to grow rice seedlings for distribution among the farmers. (Source: The New Age, 08/09/04)

BANGLADESH: WFP APPEAL FOR \$70 MILLION EMERGENCY FOOD AID

The World Food Program (WFP) recently sent a separate appeal to its headquarters seeking around \$70 million for feeding five million ultra poor over the next 12 months, according to a high official of the WFP. The devastating floods, the worst since 1998, have affected nearly 30 million people leaving over 21 million homeless. According to the World Food Program, up to five million people may need emergency food aid. However, the flood situation countrywide, including the capital city of Dhaka, is improving. (Source: The News Today, 08/11/04).

RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN4084	Weekly Highlights & Hot Bites, #30	08/06/04
IN4085	Monsoon Progress Report No. 4	08/11/04
IN4086	FAIRS Product Specific – GOI continues to ban imports of Poultry and Pork products	08/12/04

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